

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 4
Mtg. Date February 17, 2015
Dept. City Manager's/City Attorney's Office

Item Title: Potential Redevelopment Legislation

Staff Contact: Graham Mitchell, City Manager & James P. Lough, City Attorney

Recommendation:

Authorize staff and Councilmembers to communicate with State legislators in opposition of the potential legislation described in the staff report (**Attachment A**).

Item Summary:

The City of Lemon Grove has litigation with the State of California regarding an issue related to the dissolution of redevelopment. There are approximately 126 other cities that have separate, yet similar, lawsuits with the State. One city with a similar lawsuit was the City of Emeryville. On January 16, 2015, the California Court of Appeals ruled in favor of Emeryville. This case paved the way for many other redevelopment cases in various stages of litigation. However, the State legislature is working to preempt the effects of the Emeryville case through potential legislation.

The purpose of the staff report (**Attachment A**) is to provide a brief overview of the City's litigation with the State, describe the potential State legislation's impact on Lemon Grove, and to recommend authorization to lobby against the potential legislation.

Fiscal Impact:

If the potential State legislation is adopted, the City would be required to reimburse \$588,000 from the City's General fund reserve for loan payments made by the former Lemon Grove Community Development Agency.

Environmental Review:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section [] | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

A. Staff Report

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 4

Mtg. Date February 17, 2015

Item Title: **Potential Redevelopment Legislation**

Staff Contact: Graham Mitchell, City Manager & James P. Lough, City Attorney

Discussion:

The City of Lemon Grove has litigation with the State of California regarding an issue related to the dissolution of redevelopment. There are approximately 126 other cities that have separate, yet similar, lawsuits with the State. One city with a similar lawsuit was the City of Emeryville. On January 16, 2015, the California Court of Appeals ruled in favor of Emeryville. This case paved the way for many other redevelopment cases in various stages of litigation. However, the State legislature is working to preempt the effects of the Emeryville case through potential legislation.

The purpose of this staff report is to provide a brief overview of the City's litigation with the State, describe the potential State legislation's impact on Lemon Grove, and to recommend authorization to lobby against the potential legislation.

Lemon Grove's Litigation

The State formally dissolved all local redevelopment agencies effective February 1, 2012—nearly 400 redevelopment agencies state-wide. The legislation that dissolved redevelopment—Assembly Bill 1X 26—was signed by Governor Jerry Brown on June 28, 2011.

Prior to 2012, the former Lemon Grove Community Development Agency (Agency) made annual loan payments to the City. The loan payments were for a loan from the City to the Agency upon the Agency's inception. The Agency made loan payments on June 20, 2011 and December 31, 2011 in the amounts of \$558,726 and \$588,000—a total of \$1,146,726.

Interpreting State legislation that became effective on June 27, 2012 (AB 1484), the State Department of Finance determined that the Agency's loan payments were unauthorized. This attempt to "claw back" former redevelopment obligations by the State has been the subject of many lawsuits by cities, including Lemon Grove. Ultimately, the City's lawsuit attempts to thwart a reimbursement of the \$1,146,726 payment from the City's General Fund reserves. The Emeryville case gave hope to Lemon Grove and other cities in similar conflict with the State.

Potential State Legislation

In an effort to negate the apparent local government victory via the Emeryville case, there is legislation being drafted by members of the State legislature that would retroactively invalidate payments made by former redevelopment agencies between June 28, 2011 and January 31, 2012. For Lemon Grove, this potential legislation would require the City to return \$588,000 to the State from its General Fund reserves. The League of California Cities is preparing additional information about the potential legislation. Staff will make that information available as soon as it is posted on their website.

Attachment A

Conclusion:

Staff recommends that the City Council authorize staff and Councilmembers to communicate with State legislators in opposition of the potential legislation and to describe the impacts that the legislation will have on Lemon Grove. Staff recommends that once a bill number is assigned to the legislation, that a formal resolution of opposition be considered by the City Council.]